

Ghana Compact: Sowing the Seeds of Sustainable Growth

After becoming eligible for a Millennium Challenge Corporation compact, the Government of Ghana consulted with MCC and local civil society groups—including farmers, exporters, gender organizations, and environmental groups—to identify impediments to sustainable economic growth and poverty reduction in Ghana. These consultations revealed that private sector growth and broad-based financial investment in Ghana were hindered by an underdeveloped agriculture value chain.

Ghana's agriculture sector is the backbone of its economy, supporting food security and providing raw materials for local industries. As of 2012, agriculture directly employs 56 percent of the labor force and accounts for about 30 percent of the country's gross domestic product. Owing to its ability to successfully grow a wide diversity of tropical and sub-tropical crops, Ghana has the potential to become the leading West African supplier of horticultural products to neighboring countries and Europe, where the demand for tropical, organic and conventional fruits and vegetables is experiencing strong growth.

In addition, domestic food security can be significantly enhanced by expanding the country's utilization of arable land dedicated to corn, yams, cassava, and other traditional food crops. However, Ghana's agricultural production is largely dominated by rain-fed production of crops for local consumption by smallholder farmers using rudimentary technology. Furthermore, inconsistency in both the supply and the quality of agriculture crops hampers Ghana's ability to compete against other countries supplying the same crops to regional and European markets.

MCC's targeted investments were designed to promote economic growth and reduce poverty. In August 2006, MCC and the Government of Ghana signed a five-year, \$547 million compact to reduce poverty by raising farmers' incomes through private sector-led agribusiness development. The compact consisted of a three-pronged series of investments in 30 districts across Ghana. The compact involved more than 850 contracts in 12 distinct activities. The compact developed consisted of three key projects to promote economic growth:

- ★ The **Agriculture Project** was designed to enhance returns from staple food and horticulture crops

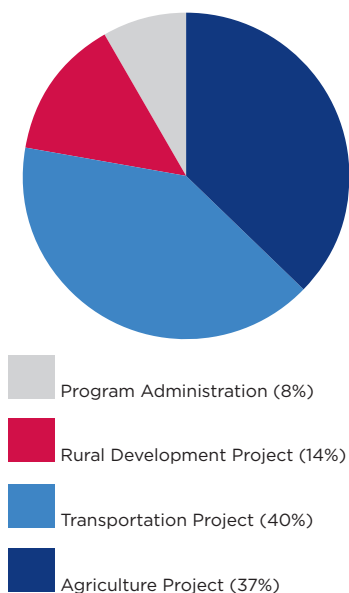
Ghana Compact at a Glance

Signed August 1, 2006

Entry into Force.....Feb. 16, 2007

Compact End Date..Feb. 16, 2012

Compact Total\$547,009,000



produced by low-income smallholder farmers and to improve delivery of business and technical services to support the expansion of higher-value commercial agriculture.

- ★ **The Rural Development Project** was designed to strengthen rural institutions that provide services complementary to and supportive of agricultural and agribusiness development.
- ★ **The Transportation Project** was designed to reduce transportation costs related to agricultural commerce at sub-regional and regional levels.

"If we had to depend on the District [Assemblies] Common Fund of Ghana, it would have taken about 50 years of funding to accomplish for us what the U.S. Government has been able to accomplish for us in just 5 years. Thank you to the American taxpayers for such a wonderful outreach toward humanity."

*District Chief Executive Hon.
Prince Askia Mohammed,
Savelugu Nanton District, Northern Region*



Vehicles drive along a newly constructed section of N1 highway in Accra.

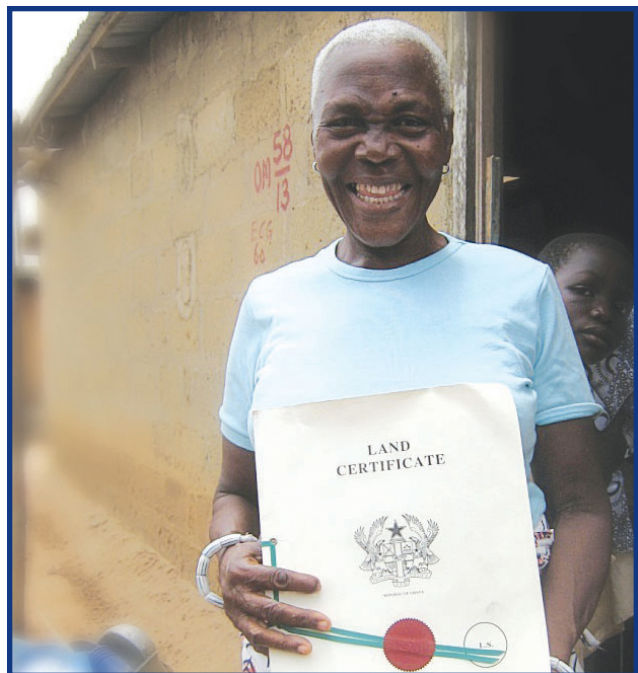
Agriculture Project

The \$203 million Agriculture Project sought to increase the profitability of crops for smallholder farmers and to improve and expand commercial agriculture. This project is expected to increase household incomes by an estimated \$294 million.

Farmer and Enterprise Training in Commercial Agriculture Activity	Irrigation Development Activity	Land Tenure Facilitation Activity	Post-Harvest Handling Activity
<p>Improve farmers' business capacity and increase sales</p> <p>Incentivize appropriate crops, good farm management and understanding of local markets</p>	<p>Improve irrigation systems for three areas to overcome crop failures from droughts</p> <p>Rehabilitate outdated infrastructure and expand network</p>	<p>Improve tenure security for existing land users and facilitate access to land for commercial crops in target area</p>	<p>Establish 10 community agribusiness centers (ABCs) to provide farmers with primary processing and storage facilities, as well as opportunities for community engagement in access to inputs—such as seed and fertilizer—and pricing decisions</p>
<p>Nearly 67,000 farmers trained; all received a “starter pack”</p>	<p>Two irrigation facilities constructed/rehabilitated</p> <p>More than 500 additional hectares irrigated with MCC support</p>	<p>Nearly 1,500 land title certificates issued and more than 5,700 land parcels surveyed in the three pilot districts</p>	<p>Smallholder farmers and exporters are expected to increase their incomes through reduced post-harvest losses.</p>



Farmers received starter packs that included seedlings as part of the Farmer and Enterprise Training in Commercial Agriculture Activity.



A beneficiary displays a land title certificate.

Rural Development Project

The \$76.5 million Rural Development Project was designed to complement the Agriculture Project by providing improved community and financial services and improve Ghana's capacity to perform public procurements. Rural farmers often have poor access to basic community services such as drinkable water, safe school infrastructure, electricity, and efficient financial services. This limits the economic potential of rural communities, making it difficult to reinforce entrepreneurial growth and retain skilled workers. The Rural Development Project is expected to benefit more than 356,000 people and increase household incomes by an estimated \$74 million over 20 years.

Financial Services Activity	Procurement Activity	Community Services Activity
Enable rural banks to access computerized financial tools, link branches to head offices through improved telecommunications and establish a critical Automated Clearing House system to allow for more timely check clearing	Establish a public sector procurement curriculum and training manual, and support capacity building with a student internship program	Provide educational, water, sanitation, and rural electrification infrastructure and by enhancing the capacity of local governments to deliver related services
130 rural banks and 613 branches were automated.	175 practicing procurement professionals trained to reinforce the capabilities of the Government of Ghana	250 school blocks constructed or rehabilitated, 392 new water points constructed, and 13 agricultural facilities connected to the electrical grid



Rehabilitated classrooms are helping provide a better learning environment for students.

Transportation Project

The \$221 million Transportation Project was designed to promote access to social services and support expansion of Ghana's export-directed horticulture base. Poor quality roads inhibit sustainable economic growth by limiting expansion of agricultural opportunities and restricting access to domestic and international agricultural markets. The Transportation Project is expected to increase household incomes by \$321 million

N1 Highway Activity	Ferry Activity	Trunk Roads Activity
Reduce congestion, vehicle operating costs and delayed transport of goods on the Accra portion of the N1 highway	Construct ferries and rehabilitate floating dock; extend and rehabilitate ferry landing stages	Reduce travel costs and improve market access for agricultural areas by upgrading and rehabilitating feeder roads and trunk roads
<p>Redesigned and constructed a key 14-kilometer section of the highway, previously prone to bottlenecks and severe congestion</p> <p>Average daily traffic increased from 27,700 vehicles prior to the project to more than 51,000 vehicles.</p> <p>Average travel time was reduced from 60 minutes to 19 minutes.</p>	<p>Two roll-on/roll-off ferries constructed</p> <p>New ferry terminals will accommodate additional ferry and passenger traffic, feature all-weather protection and have sanitation facilities</p>	<p>357 kilometers of feeder roads and 74 kilometers of trunk roads upgraded or rehabilitated</p> <p>Average daily traffic for trunk roads nearly doubled, from 222 before the project to 440 vehicles after.</p> <p>Traffic on feeder roads increased more than 500 percent.</p>



Renovations to the Dimples Interchange on the N1 highway are helping relieve congestion.

Country Ownership

Every MCC compact country creates a Millennium Challenge Account organization to implement the compact. In Ghana, this role was served by the Millennium Development Authority (MiDA). The Ghanaian Parliament established MiDA, which is fully staffed by Ghanaian nationals. It is guided by a board of directors comprised of representatives from the Government of Ghana, local private sector firms and nongovernmental organizations. MCC provided program oversight and technical support through its resident country mission in Accra and through the support of a team of technical experts.

MCC Resident Country Director Katerina Ntep called MiDA “a perfect example of effective country ownership,” in part because the government enacted the organization with objectives extending beyond overseeing and managing the implementation of the compact. MiDA’s objective also included the longer-term function of overseeing other national development programs funded by the Government of Ghana and other development partners.

MCC Principles into Practice

Agriculture Project

- ★ MCC supported the Ghanaian government in spearheading reforms to its seed law to promote private sector competition and improve regulatory capacity in the seed industry. The Plants and Fertilizer Act was passed by Ghana’s Parliament in 2010 and signed into law by President John Atta Mills. Ghana is now looking forward to the emergence of a reinvigorated seed industry.

Transportation Project

- ★ The Government of Ghana reformed its policies and established a general road fund to support maintenance of MCC-funded roads. The road fund will help the government to maintain annual targets for road maintenance, helping ensure the new and rehabilitated roads will remain in good shape.

Rural Development Project

- ★ Prior to the compact, the Ghana Irrigation Development Authority (GIDA) managed the country’s irrigation schemes with limited funding and capacity. The compact project, which was completed in February 2012, emphasized accountability, transparency, institutional autonomy, and collaboration with the private sector. This led to a new arrangement: MCC-funded irrigation schemes will be managed by private entities, with a management contract to include GIDA and the farmers’ cooperative as signatories. A governing board with private sector, government and farmer representation will oversee operations, increasing accountability and transparency to key stakeholders. Additionally, fees collected from irrigation service charges will be placed in a guarded account and will be used only for documented operations and maintenance.

MCC's Core Principles

MCC's mandate is to reduce poverty through economic growth by partnering with countries committed to good governance, economic freedom and investments in their citizens. MCC is a prime example of smart U.S. Government assistance in action, benefiting both developing countries and U.S. taxpayers through competitive selection, country-led solutions, country-led implementation, and rigorous accountability for results.

Insight into Implementation

Over the course of the compact, the MCC core principles of country ownership, transparency, good governance, transparency, and accountability for results have been at work.

Country Ownership. Throughout the past five years, the Government of Ghana has demonstrated clear ownership of the compact's development and implementation. The compact was developed and implemented by Ghanaians over the course of two administrations. The compact embodies Ghanaian priorities and embraces the MCC commitment to reduce poverty through economic growth and attract private sector investment.

Transparency. MiDA was consistent in pursuing the objectives agreed upon in the compact and was a responsive and transparent partner with MCC. In 2009, Ghana ranked better than almost two-thirds of countries worldwide on Transparency International's Corruption Perceptions Index.

Good Governance. Ghana consistently performs well on MCC's indicator criteria and is generally viewed as one of Africa's most stable policy performers, evidenced in part by its inclusion as a pilot country for the U.S. Government's Partnership for Growth initiative.

Accountability. Ghana set forth a fiscal accountability plan for the use of MCC funding, with which MiDA oversaw compliance. In an effort to achieve the goals of transparency and accountability throughout compact implementation, the government ensured that MiDA established an e-mail suggestion box and a means for other written comments to provide ideas, suggestions or feedback.

Sustainability of Impacts

U.S. Government Interagency Collaboration

- ★ USAID worked with MiDA on the agriculture and transportation projects in Ghana.
- * USAID agreed to train community-based teachers for schools rehabilitated or constructed with MCC funding. In addition, USAID is funding construction of toilets for some MCC-funded schools.
- * In an effort to further improve farmers' access to markets, USAID is using Feed the Future funds to construct some of the roads designed by MCC for the Volta Region.
- * In northern Ghana, USAID will work with MCC-trained farmers utilizing MCC-funded irrigation schemes and agribusiness centers. USAID is expected to introduce a warehouse receipts program to improve efficiencies for farmers and aggregators as they work together to meet the demands of various markets.
- ★ To enhance the compact's efforts, Peace Corps placed six volunteers in four northern districts that benefited from MCC funding. These volunteers taught at schools constructed or rehabilitated under the compact, worked with MCC-trained farmers and helped support the further development of compact-assisted agribusinesses. These volunteers served in the Savelugu-Nanton, Karaga, West Mamprusi, and Tolon-Kumbungu districts.



Students gather in front of a newly commissioned school.

Donor Coordination and Sustainability

- ★ MCC, MiDA and the World Food Programme identified opportunities for MCC-funded farmers to be potential suppliers for WFP's Purchase for Progress initiative, which is designed to respond to food security needs in developing countries by providing a structured market for smallholders as they transition to commercial agriculture. WFP is purchasing grain from MiDA-trained farmers via grain buyers linked to the compact program to be used in school and emergency feeding programs.
- ★ MCC and the Alliance for a Green Revolution in Africa (AGRA) successfully engaged the Government of Ghana in policy dialogue that resulted in much-needed reform to Ghana's outdated seed policy. MCC and AGRA also agreed to work together in 23 of the 30 compact intervention districts, created integrated soil fertility



Bags of grain are prepared for the World Food Programme.

management practices and explored innovative financing mechanisms for seed companies and agro-dealers.

- ★ In April 2012, the World Bank approved a \$72 million loan for the second phase of the Government of Ghana's Land Administration Project. The project specifically includes an investment in continuing the MCC-funded rural systematic land title registration effort in the Ejisu traditional area, as well as continued strengthening of the administration services of the Lands Commission.
- ★ MCC built on the work of the Carter Center to help sustain the eradication of the Guinea worm in northern Ghana by promoting awareness of the disease, training water and sanitation officers and expanding access to potable water in rural areas. The activities were part of the compact's \$6 million Tamale Water Extension Project, which supplies safe drinking water to 27 communities, including many historically afflicted with Guinea worm.



Kofi Annan (fifth from left), former United Nations secretary-general and currently chairman of the board of the Alliance for a Green Revolution in Africa, visits farmers trained with MCC funding.

Focus on Results

A focus on results is at the heart of the MCC development model. MCC's "continuum of results" framework charts policy reforms associated with MCC's investments, inputs, outputs, outcomes, and impacts of each MCC-funded project. MCC then uses feedback from these projects to improve upon its practices. As a result, monitoring and evaluation (M&E) was an important component of program design and has been incorporated into all facets of the program cycle. The robust M&E framework allows MCC to:

- ★ Monitor the various components of the Ghana Compact to determine whether investments are achieving intended results.
- ★ Highlight the M&E requirements that must be met in order to allow disbursements.
- ★ Guide program implementation and management so that stakeholders understand what results are expected, by when the results should be achieved and who is responsible for achieving and reporting them.

- ★ Provide a framework that will alert stakeholders to performance problems so that adjustments can be made as needed.

Throughout the compact period, MiDA collected data on the inputs, outputs and outcomes of each activity as they developed. Because outcomes and benefits will continue to develop over time, MCC plans to continue monitoring a select group of these indicators over the next few years.

One of the key features of MCC's approach to development is the commitment to conducting impact evaluations, which employ methodologies that determine whether results can be attributed to program interventions. Independent researchers use statistical methods to estimate a counterfactual, which identifies what would have happened to the beneficiaries absent the program. This counterfactual is critical to understanding the improvements in people's lives that are directly caused by the program.

The Farmer and Enterprise Training in Commercial Agriculture Activity under the Agriculture Project was part of MCC's first set of impact evaluations, and the results were released in October 2012. Although most output and outcome targets for this activity were met or exceeded, the independent evaluation found varied results in the three regions where the Commercial Training Activity invested. The evaluation showed no impact on yields or crop incomes on average across the three regions. However, northern region farmers' annual crop income increased significantly relative to the control group, over and above any impacts recorded in the other zones. Southern region farmers' annual crop income decreased significantly relative to the control group, beyond any impacts recorded in the other zones. There was no significant impact in the Afram zone.

There are several factors that may contribute to these findings. First, because of delays in implementation, the time between the treatment group and control group receiving training was reduced from two years to one year. As a result, the evaluation only captured impacts after one year, even though the original program logic assumed two crop cycles would be necessary to observe and measure a change in outcomes. In addition, training activities might not have been tailored appropriately to the regional differences in farmer capacity and crops. The impact evaluation results also showed that farmers with training were more likely to apply for loans from more formal sources, which suggests that the training has equipped farmers with the confidence to engage more formal sources of finance. Since farmer training was just one component of one project in the compact, these evaluation results do not measure the overall impact of the compact.

Looking Forward

In January 2011, MCC's Board of Directors selected Ghana as eligible to develop a proposal for a second compact, contingent on continued good policy performance and development of proposals that have significant potential to promote economic growth and reduce poverty.

Based on the constraints analysis completed in August 2011, a joint Government of Ghana-U.S. Government team concluded that the inadequate and unreliable supply of electricity is a critical binding constraint to Ghana's economic growth and should be the focus of the second compact. Building upon the results of the analysis—as well as the policies and strategies outlined in the Ghana Shared Growth and Development Agenda—the team identified the effective participation of the private sector as a critical link to accelerating the growth and transformation of the economy.



Residents of a village near Savelugu, in the Northern Region, celebrate their new water standpipe.

The program objectives identified in the second compact concept paper—currently being developed by the Government of Ghana within the context of the U.S. Government's Partnership for Growth initiative—focus on policy reform, institutional streamlining and infrastructure investments in the power sector.

As part of the second compact development process, the Government of Ghana has initiated broad-based consultations with representatives from civil society and the private sector. In January 2012, MCC partnered with the Initiative for Global Development and the Corporate Council on Africa to host a forum for business firms to help MCC and the Government of Ghana identify opportunities, obstacles and solutions to private sector participation in Ghana's power sector.

Success Story

According to Bukari, a corn farmer who lives along the new MCC-funded Agogo-Dome trunk road in Afrisere, village life has changed significantly since the road was built.

The journey to the Agogo market previously could take one week if the road was muddy, and there was no such thing as a quick trip to the hospital. The project included the removal of brush near the side of the road, meaning children who walk to and from school along the route are at less risk of snakebites. And traders are now coming from as far away as Kumasi, about 110 kilometers away, to sell their wares, facilitating increased trade and business development in the area.

Note: All information came from the following sources:

Millennium Challenge Compact between the United States of America acting through the Millennium Challenge Corporation and the Government of the Republic of Ghana; Ghana Compact Glossy, Milestones MiDA Story

